Offices and showroom rooms of the U.S.-Mengel Plywoods, Inc., warehouse distributing unit in Louisville, Kentucky. Mengel Flush Doors and sample panels of Weldwood Plywood in available species are displayed in pleasing settings. The offices also serve to demonstrate some of the uses of these products, not only as decorative wall coverings, but also in the construction of attractive modern desks, tables, cabinets and counters.
48th
ANNUAL REPORT
OF
THE MENGEL COMPANY
FOR THE YEAR ENDED
DECEMBER 31, 1946
YEARS ENDING DECEMBER 31

<table>
<thead>
<tr>
<th></th>
<th>1942</th>
<th>1943</th>
<th>1944</th>
<th>1945</th>
<th>1946</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales</td>
<td>$23,343</td>
<td>$27,724</td>
<td>$25,060</td>
<td>$25,118</td>
<td>$25,342</td>
</tr>
<tr>
<td>Profit before income taxes</td>
<td>2,520</td>
<td>2,348</td>
<td>2,632</td>
<td>2,929</td>
<td>2,694</td>
</tr>
<tr>
<td>Income taxes</td>
<td>1,750</td>
<td>1,600</td>
<td>1,750</td>
<td>2,000</td>
<td>1,075</td>
</tr>
<tr>
<td>Net profit</td>
<td>770</td>
<td>748</td>
<td>882</td>
<td>929</td>
<td>1,619</td>
</tr>
<tr>
<td>Earnings per common share*</td>
<td>$1.45</td>
<td>$1.40</td>
<td>$1.72</td>
<td>$1.66</td>
<td>$2.91</td>
</tr>
<tr>
<td>Dividends per common share</td>
<td>.25</td>
<td>.25</td>
<td>.40</td>
<td>.60</td>
<td>1.00</td>
</tr>
</tbody>
</table>

*Based on shares outstanding at end of respective years.

...To the Stockholders...

The net sales of $25,341,617 for the year 1946 represent a new high for a peacetime year. The net profit of $1,618,913 is a new high solely because of tax reduction, as the profit before taxes is lower than last year.

U. S.-Mengel Plywoods, Inc. earned $747,452 during the year 1946 on sales of $6,961,222, and dividends paid from such earnings were $100,000. As we own but 50% of that Company it is not considered proper to consolidate accounts in our reports. Therefore only $50,000 (representing our share of the dividend) appears in our 1946 profit. Our equity ($323,726) in its undistributed earnings is equivalent to 63 cents per share of our common stock outstanding at the year end. Our sales to U. S.-Mengel Plywoods, Inc. for the year 1946 were $3,016,005.

Both sales and orders booked for our company are continuing at high levels. Sales for January and February combined were $6,129,000, which is 89% above the same months of 1946, and bookings were $5,998,000, which is 34% higher. U. S.-Mengel Plywoods, Inc. sales for January and February were 120% ahead of last year.

New labor contracts covering our principal plants in Louisville, Kentucky, have again been satisfactorily concluded, thus continuing the record of amicable labor-management relations that has existed for many years.

Reserves of special funds for plant expenditures have now been exhausted, indicating substantial completion of present plant programs. The transition to peacetime business has also been completed without need for bank credit, and our financial position remains strong.

Dividends

The common stock was placed on a quarterly dividend basis of twenty-five cents per share, equivalent to one dollar per year, when the Directors declared the regular fourth quarter dividend at that rate. At the same time an extra dividend of forty-five cents per share was declared, both dividends being payable January 2, 1947. These dividends, together with payments of ten cents each made with respect to the first three quarters of the year, totalled one dollar per share on the common stock for 1946. Another dividend of twenty-five cents per share has been declared payable April 1, 1947, to stock of record March 19, 1947.

Conversions of Preferred Stock

During 1946, 19,732 additional shares of our 5% preferred stock were converted into common stock, bringing total conversions to 32,877 shares and leaving 47,123 shares of this preferred stock outstanding at the year end. Approximately half of the 1946 conversions were made after the common stock was placed on the higher dividend basis.

On February 14, 1947, the Board of Directors called 10,000 shares of the preferred stock for redemption May 7, 1947.

Up to March 19, 6,928 called shares had been converted, and in addition 3,961 uncalled shares have been converted since the first of the year.
New Plants

New plants, construction of which was begun during 1946, include a corrugated container plant at Fulton, New York, a hardwood veneer mill at Thibodaux, Louisiana, and a sawmill and veneer mill in Africa. The first two of these plants were substantially completed during the year and have now begun operations. Construction of the African project presents many more problems, but we hope to have the sawmill in production before mid-year.

Retirement Plan

The Mengel Savings and Retirement Plan, which is available to employees with five years or more service with the Company, was extended during 1946 to include employees at the Elizabeth City, North Carolina plant (acquired late in 1945). In this case, service with the predecessor company at that location was included. Sixty-three employees at this plant, all but two of those thus made eligible, became members of the Plan and are included among the total membership of more than 1500.

Benefits to an employee under this plan arc based on length of service and the amount of individual earnings up to $5,000 per year so that the maximum benefits any employee can receive upon retirement amount to about $2,200 per year. On March 7, 1947, the Directors authorized a proposal to be submitted to the stockholders at the coming regular meeting amending the plan to permit a more nearly adequate retirement benefit to be paid to employees who have been earning more than $5,000 per year.

Common Stock Option

In the 1944 annual report to stockholders mention was made of the possibility that a Supreme Court decision at that time concerning stock options might nullify the purpose of the option on 10,000 shares of common stock granted to the president of the Company in 1944. A ruling obtained recently from the Treasury Department held that this particular option was not affected by the court decision. No part of this option, which expires December 31, 1949, has yet been exercised.

Oil

Drillings completed to date on the Company's property under minerals lease in Richland Parish, Louisiana, have resulted in eighteen flowing wells, four gas wells (shut in) and four dry holes. Thus far drilling operations have been mostly concentrated in one corner comprising roughly fifteen per cent of the 8,260 acres under lease, as this corner lies in the proven field. We have not yet been able to obtain reliable opinions concerning the likelihood of oil being found in the larger remaining area.

Renegotiation and Taxes

According to a preliminary agreement now awaiting approval by the War Contracts Price Adjustment Board in Washington, no repayment will be necessary as a result of renegotiation of war contracts for the year of 1945, the last one subject to renegotiation. Clearances had previously been received for all prior years.

Federal income and excess profits taxes for all years through 1942 have been settled with the Treasury Department, except for pending relief claims under Section 722 of the Excess Profits Tax Act, but returns for subsequent years have not yet been examined. Our Section 722 relief claims cover all years (1941 to 1945, inclusive) for which the Company paid excess profits taxes. We have no basis for estimating when, or in what amount, if any, they may be allowed.

The nineteen manufacturing plants of the Company are grouped into three major operating divisions, namely: Container, Plywood and Furniture. The following pages contain further information with respect to the performances of these respective divisions. You are urged to review these sections, as well as the one concerning employees. Your attention is also called to the simplified financial statements included herein.

Respectfully,

Alarch S. Haist

March 22, 1947  President
The Container Division operated three plants during 1946, one each at Louisville, Kentucky, Winston-Salem, North Carolina, and New Brunswick, New Jersey. A fourth container plant erected at Fulton, New York, began operating early in 1947.

Physical volume of production in 1946, measured by square feet of boxes shipped, was slightly less than for 1945. This was due to the continuing shortage of container board, a situation which probably will be relieved somewhat during late 1947.

The manufacture of corrugated shipping containers is a "made to order" business, and the prime function of these plants is to maintain a stock of container board in rolls at box consuming centers and convert this board into boxes upon short notice. Constantly increasing freight rates emphasize the importance of having corrugated box factories located close to consuming centers.

Changing requirements of box users, that is, changes in dimensions of the boxes, printing, etc., and the considerable bulk of corrugated boxes, all combine to make their storage in large quantities impractical.

In effect, our corrugated container plants store boxes in the form of container board in rolls. This is dense storage, yet flexible, as the rolls of container board can be converted quickly into corrugated boxes with dimensions and printing to suit our customers' current needs.
The operations of the Plywood Division include:

(1) Production and sale of southern hardwood plywood, veneer, and lumber at plants located at Baton Rouge and Thibodaux, Louisiana, and Elizabeth City, North Carolina;

(2) Production and sale of mahogany and other fancy face veneer, and hollow core flush type doors and partitions at plants located in Louisville, Kentucky;

(3) Production of the decorative materials Flexwood and Flexglass at plants located in Louisville, Kentucky. These products are sold by United States Plywood Corporation under an agreement between the two companies;

(4) Supervision of the operations of our wholly-owned subsidiary, Mengel West Africa, Limited, in the Gold Coast, British West Africa; and

(5) Management of relations with the distributing organization, U. S. - Mengel Plywoods, Inc., which is owned jointly by Mengel and United States Plywood Corporation.

The Plywood Division, which had relatively few reconversion problems, early in the year began increasing its output substantially in all departments, as manpower and material became more available. The new plant at Elizabeth City, acquired late in 1945, assisted materially in increasing our production of southern hardwood plywood.

The jointly owned sales corporation, U. S. - Mengel Plywoods, Inc., operated five warehouse distributing units throughout the year, adding another unit at St. Louis, Missouri, in midyear, and opening a seventh unit at Dallas, Texas, in January, 1947. Pictures of the showrooms and offices of the Louisville unit appear on the inside front cover of this report.

The new hardwood veneer mill at Thibodaux, Louisiana, will serve as a source of supply of veneer for our plywood plant at Baton Rouge, Louisiana. By bringing the operation of veneer cutting closer to the supply of timber, we expect to reduce the cost of veneer and at the same time bring more timber into the economic area of our operations.
FURNITURE DIVISION

The major activity of the Furniture Division consists of the large-scale production, national advertising, promotion and sale of a quality line of furniture under the brand name “Mengel Permanized Furniture.” The entire production facilities of the Company’s large 12th Street plant and part of its 4th Street plant in Louisville are devoted to the branded line. Also produced in the 4th Street plant are Module and other items of furniture, including occasional furniture, for sale to so-called contract customers (mail order houses and jobbers), and wood furniture parts for other manufacturers. At other plants, located in Union City, Indiana, St. Louis, Missouri, Laurel, Mississippi, and Winston-Salem, North Carolina, this Division produces kitchen cabinets, furniture parts, merchandise display units and wood boxes. The Furniture Division also operates some saw mills and plywood mills in supplying a substantial part of its requirements of lumber and plywood.

The initial items in the Permanized line consisted of 18th century, colonial and modern bedroom furniture in the medium price range, some of which were illustrated in last year’s annual report. Pictures of some of the suites which have been added during the year appear on these pages. It will be seen that they include, in addition to bedroom pieces, some units suitable for use in other rooms.

This modernized eighteenth century functional suite of beautiful mahogany veneers is one of the newest numbers in the Mengel line of Permanized Furniture.
The year 1946 was one of great progress and expansion for the Furniture Division, especially in its branded line program.

The reconversion and expansion of production facilities, which were begun promptly after V-J Day, were substantially completed during the year. Early in the year the two-mile long conveyorized assembly and finishing system mentioned in last year’s report was put into operation. Additional installations in the two Louisville plants during the year brought the total length of conveyor systems in these plants up to nearly three and one-half miles. Some of the new conveyors operate on as many as four levels, thus more fully utilizing overhead cubic space, an engineering accomplishment that was cited by the magazine *Modern Industry* in its issue of November 15, 1946.

Other new equipment installed during the year includes electronic heating units for glue bonding, automatic matching saws, a new hot-plate press for making plywood, and a new central distributing system for delivering finishing materials to paint spray booths.

In April, 1946, the Furniture Division launched its branded line, Mengel Permanized Furniture, with a national advertising and sales promotion program that in its conception and scope is unique in the industry. Editors from national consumer and trade magazines were shown the furniture designs and the tremendous production facilities being put behind the branded line program at a preview party in Louisville. They were given the story of the “Mengel-Man” trade mark, the Mengel policy of selective distribution and fair trading, its advertising and sales promotion program, and the Company’s intention to manufacture a quality product. Subsequent editorial mention of the Mengel program proves this showing to have been a gratifying success.

Shortly after this showing, there began to appear in leading national consumer magazines full-page, four-color advertisements displaying the various bedroom suites which made up the initial line of Mengel Permanized Furniture. More than 250,000 requests have been received for the booklet “Let’s Dress Up Your Bedroom,” which the advertisements offered.
In July the Furniture Division launched a startling innovation in the furniture industry with the introduction to the public of Mengel Module Furniture, designed by Morris Sanders, the noted architect and designer. This introduction was accomplished by a preview showing in New York to representatives of the press, retail store executives and franchised dealers, and by the subsequent advertising and display of this furniture by four large department stores in the New York metropolitan area.

Mengel Module Furniture is frequently referred to as "the most revolutionary thing in furniture since the days of Chippendale" and newspapers and magazines have devoted much space to this accomplishment. It is a simplified case goods system based on a six-inch modulus. It is so flexible and interchangeable that it can be adapted to any room in the house and can be made to fit almost any space. It consists of six basic cases, five bases and a number of accessory pieces. It is constructed of mahogany veneers and finished in a color similar to that of newly sliced mahogany veneer.
The policy of the Furniture Division to mechanize, merchandise, stylize and aim at the medium price income group has been termed the "Mengelian Law" by Fortune magazine. "In any other industry the program would have been utterly commonplace; in furniture it has made everyone sit up and take notice," says Fortune.

The Furniture Division is continuing in 1947 the national advertising and sales promotion program begun last year in the same scope, and is continuing to back up this promotion with a complete program of merchandising aids for Mengel franchised dealers.

All indications, including stepped-up rates of production and continuing high demand, point to a substantially larger sale of the products of the Furniture Division in 1947.

The Division hopes you will follow its advertisements and buy its furniture. You will find it in Mengel franchised stores from coast to coast. It will carry the "Mengel-Man" trade mark, which is a guarantee to you of style and quality.
SIMPLIFIED STATEMENTS...

How We Stood
December 31, 1946

What we OWNED:

Cash, securities, amounts due from customers, and inventories..........................$ 9,176,100
Investments in other companies and miscellaneous assets....................... 738,400
Plants and equipment, less wear and tear................................. 6,304,100
Timber and timberlands................................. 1,201,600
Total we owned..........................$17,420,200

Deduct what we OWED:

Accounts and other debts payable within one year .............$ 3,886,700
Debts payable in future years, and reserves....................... 2,250,000
Total we owed..........................$ 6,136,700

EXCESS of owned over owed....$11,283,500

Deduct amount of preferred stockholders' interest....... 2,365,700

Leaving a balance representing the interest of 4,500 owners of common stock...........* $ 8,917,800

*Equivalent to $17.27 book value per share.

SUMMARY OF OPERATIONS

TOTAL INCOME DOLLAR

54¢
LEFT FOR EMPLOYEES,
GOVERNMENT AND OWNERS

46¢
COST OF MATERIALS
AND OUTSIDE SERVICES, ETC.

80¢
EMPLOYE-GOVERNMENT-OWNER
DOLLAR

8½¢
GOVERNMENT

7¢
LEFT IN THE BUSINESS

17¢
EMPLOYEE DOLLAR

76¢
RATED EMPLOYEES

5½¢
OFFICERS AND DIRECTORS

12¢
SALES, EXECUTIVES AND
SUPERVISORS

N/A
RETIREMENT PLAN,
INSURANCE, AND OTHER BENEFITS
TO THOSE WHO WORK AT MENGELO

DURING THE YEAR 1946

<table>
<thead>
<tr>
<th>Description</th>
<th>Cents Per Dollar</th>
</tr>
</thead>
<tbody>
<tr>
<td>We charged our customers (sales and other income)</td>
<td>$25,907,100 100</td>
</tr>
<tr>
<td>Cost of materials and equipment used up and of outside services was</td>
<td>11,906,800 46</td>
</tr>
<tr>
<td>Which left for employees, the government and the owners</td>
<td>$14,000,300 54</td>
</tr>
</tbody>
</table>

The amount left for employees, government and owners was divided as follows:

Employes (see below) $11,196,300 80  
Government (taxes) 1,185,100 8½  
Owners (dividends) 639,200 4½  
Left in the business 979,700 7  
Total as above $14,000,300 100

The amount employes received was divided as follows:

Hourly and weekly rated employes $ 8,538,500 76  
Salesmen, executives and supervisors 1,861,300 17  
Officers and directors 231,500 2  
Retirement plan, insurance and other benefits 565,000 5  
Total as above $11,196,300 100

The simplified financial statements on these two pages are summarized from the formal statements appearing on pages 13 to 16 inclusive but with some further detail of cost of sales, etc., added.

The Mengel organization is now composed of more than 5,500 men and women. We recognize that their skill and spirit are highly important to the full success of the Company.

On the other hand, we should keep in mind and before all of us at all times that the success of the Company is highly important to the success and well-being of each one of us.

Also, it would seem that this is a good time to re-examine the relationship of employees, owners, customers, suppliers and the communities in which we operate. These are all interrelated, and to serve ourselves well requires that we first fully and adequately serve the others.

It is helpful, we think, that the customer is again coming back into his normal place, which is that of being our real boss. We should now again remind ourselves that if our costs and prices go too high or if the quality of our product or service falls, our customer will eventually look elsewhere for his requirements.

To assist employes to meet their responsibilities in this relationship of economic groups, the Company undertakes to provide pleasant and mutually profitable working relations, and to keep employes fully and accurately informed on matters affecting their welfare and interest.

Clean, healthful, safe working quarters are provided, and the Company pays wages at least as high as its competitors in the communities where it operates; in many cases, higher. Incentive plans are also in effect whereby individual earnings can be increased by greater individual efficiency.

Promotions are made from within the organization wherever possible, and length of service is considered to be of great value to the employe and the Company.

The Mengel Savings and Retirement Plan, which pays retirement benefits to members after retirement at age 65, has more than 1,500 members. The amount on hand in the Retirement Fund at December 31, 1946, for retirement benefits, was $1,035,000. Retirement benefits of $37,372 have been paid. Employes with five years' service are eligible to become members of this plan.
Group life insurance in force exceeds $6,000,000, and death benefits of approximately $275,000 have been paid.

The Company bears a very substantial part of the cost of both retirement and group life insurance.

Medical and hospital insurance is available under varying conditions as to cost, and a credit union among the employees of the Louisville plants provides means for both employee savings and low cost loans.

These annual reports of operations are distributed to employees, and through use of bulletin boards, our Safety News and the employees’ publication, “The Emblem”, adequate and interesting information is circulated.

A plant “Board of Directors” has been in operation at one of our plants on an experimental basis for about one year, and experience to date warrants further work on such feature.

Satisfactory labor-management conditions continue in all our plants, and there have been no work stoppages or other disturbances for many years.

It is a privilege as well as a duty to continue trying to make Mengel a good place to work.

President
THE MENGEL COMPANY AND WHOLLY OWNED SUBSIDIARIES

Consolidated Statement of Profit and Loss
For the year ended December 31, 1946

Net sales ........................................... $25,341,617
Cost of sales and selling and administrative expenses .......... 23,143,075
Operating profit .................................... 2,198,542

Other income less other deductions:
Net profit from sale of stumpage, fixed assets, etc. ............... $232,963
Net profit from joint venture ................................ 120,663
Dividend from U. S.-Mengel Plywoods, Inc. ....................... 50,000
Income from oil royalties .................................. 43,000
Interest earned ........................................ 34,723
Miscellaneous (net) ..................................... 84,107

$2,763,998

Interest charges ...................................... 70,685
Profit before taxes on income ................................ 2,693,913

Provision for Federal and State taxes on income ................. 1,075,000

Net profit ........................................... $ 1,618,913

Provisions for depreciation of $507,869 and depletion of $426,684 are included in the above statement.

Consolidated Statement of Capital and Earned Surplus
For the year ended December 31, 1946

CAPITAL SURPLUS

Balance, January 1, 1946 ................................................. $3,523,826
Excess of par value of 19,732 shares of first 5% cumulative preferred stock over par value of 59,196 shares of common stock issued in conversion ........................................... 927,404

Balance, December 31, 1946 ............................................ $4,451,230

EARNED SURPLUS

Balance, January 1, 1946 ................................................. $2,970,555
Net profit for the year ............................................. 1,618,913

Cash dividends:
7% preferred stock, $7.00 per share ................................ $ 672
First 5% cumulative preferred stock, $2.50 per share ........... 134,497
Common stock, $1.00 per share ................................... 504,052

Balance, December 31, 1946 ............................................ $3,950,247

The appended notes to financial statements are an integral part of these statements of profit and loss and surplus.
### FINANCIAL STATEMENTS...

**THE MENGEL COMPANY AND**

**Consolidated Balance**

**ASSETS**

<table>
<thead>
<tr>
<th>Classification</th>
<th>Cost, Less Depreciation Reserves for Depreciation</th>
<th>Accumulated Since 1921</th>
<th>Net</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land</td>
<td>$588,817</td>
<td>$588,817</td>
<td></td>
</tr>
<tr>
<td>Buildings and improvements</td>
<td>4,515,616</td>
<td>2,833,878</td>
<td>1,681,738</td>
</tr>
<tr>
<td>Machinery, equipment, etc.</td>
<td>6,807,635</td>
<td>3,983,710</td>
<td>2,823,925</td>
</tr>
<tr>
<td>Plants under construction</td>
<td>1,214,651</td>
<td>—</td>
<td>1,214,651</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$13,121,719</strong></td>
<td><strong>$6,817,588</strong></td>
<td><strong>6,304,131</strong></td>
</tr>
</tbody>
</table>

Prepaid insurance, taxes, and other deferred charges | 306,543 |

**$17,420,233**

*The appended notes to financial statements are an integral part of this balance sheet*
WHOLLY OWNED SUBSIDIARIES

Sheet—December 31, 1946

LIABILITIES

Accounts payable .................................................. $ 1,163,559

Accrued items:
  Interest ......................................................... 28,698
  Salaries, wages, and other compensation ......................... 478,729
  Taxes, other than taxes on income .................................. 231,445
  Provision for taxes on income ....................................... 1,473,034
  2% serial notes, due in 1947 ........................................ 150,000
  Dividend on common stock, payable January 2, 1947 ............... 361,229

  Total current liabilities ........................................ 3,886,694

  2% serial notes, maturing in semiannual installments to
  August 1, 1950, current portion above ................................ 450,000

  31/4% notes, maturing in semiannual installments com-
  mencing February 1, 1951 ........................................ 1,793,000
  Reserve for workmen’s compensation ................................... 50,000

CAPITAL

Preferred capital stock:

  First 5% cumulative, $50 par value, redeemable at $55 plus cumulative
  dividends, involuntary liquidating value par plus cumulative dividends,
  each share convertible into three shares of common stock, authorized
  and issued 80,000 shares, surrendered for conversion not to be reissued
  32,877 shares, outstanding 47,123 shares .......................... 2,356,150

  7% cumulative, $100 par value, authorized 697 shares, issued and out-
  standing 96 shares ............................................. 9,600

Common capital stock, $1 par value, authorized 1,040,000 shares, issued
and outstanding 516,312 shares (Note 2) ............................ 2,592,062

Surplus:

  Capital .......................................................... 4,451,230
  Earned, accumulated since January 1, 1940 (Notes 3 and 4) ........... 3,950,247

$17,420,233
Notes to Financial Statements

1. The Company's investment in U. S.-Mengel Plywoods, Inc. represents 50 per cent ownership of the capital stocks of that company. An audited report as of December 31, 1946 reflects current assets of $1,899,751, current liabilities of $994,942, other assets of $63,351, net assets of $968,160, and net profit of $747,452. The Company's equity in the net assets of U. S.-Mengel Plywoods, Inc. at December 31, 1946 is $484,080 and the equity in the net profit after dividends for the year then ended is $323,726.

2. 141,369 shares of common stock are reserved for conversion of first 5% cumulative preferred stock.

10,000 shares of common stock are reserved for option to the president of the Company to purchase all or any part thereof at any time and from time to time on or prior to December 31, 1949, at $10 per share, being the approximate market price at the date of the granting of the option by the Board of Directors. This option was approved at the stockholders' meeting of February 27, 1945.

3. Claims representing costs and fee under the terminated airplane war subcontract were completed and filed with the contractor. The claims as filed are substantial in amount but the amount eventually recoverable is presently indeterminable and no effect has been given thereto in these financial statements.

4. The Agreement dated August 3, 1945 relative to the 2% and the 3 1/4% notes payable provides, among other things, that the Company will not declare any dividends (other than dividends payable in shares of capital stock of the Company), except to the extent of the net earnings of the Company accumulated subsequent to December 31, 1943, plus $500,000 (which at December 31, 1946 amounted to $2,443,617) and not then unless, immediately after giving effect thereto, the consolidated net current assets will be at least equal to 150% of the consolidated funded indebtedness and unless the consolidated current assets will be at least equal to 150% of the consolidated current liabilities.

5. The Company has been named defendant in certain suits, but in opinion of counsel for the Company, the ultimate liability, if any, will be inconsequential.

Accountants' Opinion

To the Board of Directors of The Mengel Company
Louisville, Kentucky

We have examined the consolidated balance sheet of The Mengel Company (a New Jersey Corporation) and its wholly owned subsidiaries as of December 31, 1946, and the related statements of profit and loss and surplus for the year then ended, have reviewed the systems of internal control and the accounting procedures of the companies and, without making a detailed audit of the transactions, have examined or tested accounting records of the companies and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary.

In our opinion, except for the possible effect of contract termination referred to in Note 3, the accompanying consolidated balance sheet and related statements of profit and loss and surplus present fairly the consolidated position of The Mengel Company and its wholly owned subsidiaries at December 31, 1946, and the consolidated results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Louisville, Kentucky
March 7, 1947
THE MENGEL COMPANY, Established 1877
Incorporated under the laws of the State of New Jersey July, 1899.

DIRECTORS
Wm. B. Harrison, Chairman
W. T. Green, I. Horine, W. R. Jones
Dulaney Logan, Chas. G. Middleton, Alvin A. Voit

OFFICERS
Alvin A. Voit, President
W. T. Green, I. Horine, W. R. Jones, Dulaney Logan, Vice Presidents
C. O. Meloy, Secretary and Treasurer

General Office, 1122 Dumesnil Street, Louisville 1, Kentucky
General Counsel, Bullitt and Middleton, Kentucky Home Life Building, Louisville 2, Kentucky
Auditors, Lybrand, Ross Bros. & Montgomery, Heyburn Building, Louisville 2, Kentucky
Transfer Agent, Guaranty Trust Company of New York, 140 Broadway, New York 15, New York
Registrar, Bankers Trust Company, 16 Wall Street, New York 15, New York

MANUFACTURING PLANTS
Container Division
Corrugated shipping container plants: Louisville, Kentucky; Winston-Salem, North Carolina; New Brunswick, New Jersey; Fulton, New York

Plywood Division
Plywood and lumber mills: Baton Rouge and Thibodaux, Louisiana; Elizabeth City, North Carolina
Veneer mill and door mill: Louisville, Kentucky
Flexwood factory and Flexglass factory: Louisville, Kentucky
Mahogany logging operations, and sawmill and veneer mill: Dunkwa, Gold Coast, British West Africa

Furniture Division
Furniture and furniture parts factories: Louisville, Kentucky
Veneer mill and furniture plywood and parts factory: Laurel, Mississippi
Kitchen cabinet factories: Union City, Indiana; St. Louis, Missouri
Wood box plants: St. Louis, Missouri; Winston-Salem, North Carolina

U. S. MENGEL PLYWOODS, INC.
(Jointly owned by The Mengel Company and United States Plywood Corporation.)
Warehouse distribution units for plywood and flush doors: Atlanta, Georgia; Dallas and Houston, Texas; Jacksonville, Florida; Louisville, Kentucky; New Orleans, Louisiana; St. Louis, Missouri